

ABSTRACT

This study, assuming a balanced budget, attempts to estimate the optimal devolved government size in Kenya using the panel ARDL regression and Scully (2008) model for the period 2013-2017. The optimal devolved government size is determined to be around 9.7 percent of the GCP (Gross County Product). The estimated threshold size is higher than the current size of county government which stands at 5.4% of GCP. The panel analysis suggests that the optimal size of government is higher than the current size of government ($9.7 > 5.4$) and there is a scope of 4.3% increase in county public expenditures. Therefore, the study recommends increase of devolved government spending to arrive at the growth, maximizing level of the government size. This can be possible via increased national government budget allocation to the 47 county government and improved county revenue collection.

Keywords: County government expenditure, optimal government size, devolved expenditure, economic growth.